

**Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201**

Department of the Treasury

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Contact Person - ID Number:

Contact Telephone Number:

LEGEND

UIL 4945.04-04

X= Foundation
Z= City and State
x= \$ amount

Dear _____ :

We have considered your request for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated May 13, 2008.

Our records indicate that X was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter indicates that X will operate a grant-making program to make scholarship and fellowship grants to individuals for study at educational institutions that normally maintain a regular faculty and curriculum and normally has a regular organized body of students in attendance at the place where educational activities are carried on. The scholarship program is intended to enhance the educational opportunities for individuals in the community of Z who have demonstrated a high academic achievement and financial need.

X will advertise the scholarship program through guidance counselors at schools located in Z. X plans to have the high school located in Z award the scholarships during graduation ceremonies and advertise the winner(s) in local newspapers. X will award between two and twenty scholarship grants annually in the amount of x.

The eligible group will consist of all individuals who reside in the community of Z who are college eligible. It is expected that X will limit the scholarship and fellowship grants for study at a designated college, university or school of higher education.

Interested individuals who wish to be considered for a grant will need to submit an application to X. The application will include a written proposal and essay.

The Selection Committee will consist of one Board member of X as well as three members of the public. Members of the selection committee are not eligible to apply for the scholarship program. Relatives of members of the foundation, employees of disqualified persons, substantial contributors and disqualified persons are not eligible.

Selection criteria will include:

- **Merit:** X will review the academic standing of each applicant, specifically the applicant's grades, level of difficulty of the applicant's courses, consistency of the applicant's academic record, and any improvement or trend for the academic record. X will review the applicant's SAT and achievement test scores. If the applicant's grades are reasonable, show an improving or consistent trend, show the applicant is striving either through grades or level of course difficulty, then the applicant is deemed to be a worthy candidate for an award.
- **Need:** X will look at the applicant's overall household income, the number of children in the family, and whether or not the applicant works to try to bring additional income to the household. X will consider the number of adults working in the applicant's family, as well as the number and educational requirements of siblings. If it appears that the applicant's family is in need of financial assistance in order for the applicant to further his or her education, then the applicant is deemed to be a worthy candidate for an award.
- **Quality of the Application:** X will evaluate how thoroughly the application is completed, i.e. if all questions are answered. X will evaluate the thoughtfulness, originality, spelling and grammar of the applicant's essay. X will look at how the materials are compiled: application, essay, recommendations, etc. If all questions are answered, the application is typed or neatly written, essay shows a strong command of the English language, is thoughtful and answers the question well, the applicant is deemed to be a worthy candidate for an award.

Each scholarship will be awarded on a one year only basis. Any recipient of the scholarship program may reapply on an annual basis but must demonstrate the same selection criteria as new applicants.

X will not award scholarship or fellowship grants based on the status of an individual being an employee of a particular employer. X will not award grants on the basis of individuals being substantial contributors, managers, and family members that qualify as disqualified persons. X will not award grants based on services that an individual has provided to X.

All grants will be paid directly to the individual with stipulations of providing a signed contract to use the funds for educational purposes along with providing an official transcript of courses and grades or an official report on progress on the use of the scholarship funds.

X will require that all grant recipients be enrolled and in good academic standing at the educational institution to which the grant is made.

X will (a) arrange and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (b) investigate diversions of funds from their

intended purposes, and (c) take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and withhold further payments to grantee until X obtains grantees' assurances that further diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

X will maintain all records relating to individual grants, including information obtained to evaluate grantees, names and addresses of grantees, other identification of grantees, including any relationship of the grantee to the Foundation sufficient to make the grantee a disqualified person, follow-up information including a signed letter from each grant recipient that he or she will apply the grant award toward expenses related to his or her education, investigation of jeopardized grants, and case histories incorporating the above information.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi
Director, Exempt Organizations
Rulings and Agreements